

**REPORT OF THE AUDIT OF THE  
MENIFEE COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2005**

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To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Mike Burnside, Secretary  
Finance and Administration Cabinet  
Honorable J. D. Trimble, Former Menifee County Judge/Executive  
Honorable Hershell Sexton, Menifee County Judge/Executive  
Members of the Menifee County Fiscal Court

Independent Auditors' Report

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Menifee County, Kentucky, as of and for the year ended June 30, 2005. These financial statements are the responsibility of the Menifee County Fiscal Court.

We were unable to obtain accurate and complete financial records and we were unable to apply other auditing procedures regarding the financial reporting system of accounts which limited the scope of our work of each major fund presented. Furthermore the county did not prepare financial statements for the Menifee County Public Properties Corporation.

As described in Note 1, Menifee County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Because we were unable to obtain accurate and complete financial records, and we were unable to apply other auditing procedures regarding the financial reporting system of accounts as discussed in the second paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Menifee County, Kentucky.

To the People of Kentucky

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Mike Burnside, Secretary

Finance and Administration Cabinet

Honorable J. D. Trimble, Former Menifee County Judge/Executive

Honorable Hershell Sexton, Menifee County Judge/Executive

Members of the Menifee County Fiscal Court

We were engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Menifee County Fiscal Court for the purpose of forming an opinion and have disclaimed an opinion on the information. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of management and Budget Circular A-133, Audits of State, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Because of the scope limitation discussed in the second paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the combining fund financial statements or the schedule of expenditures of federal awards.

In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2007 on our consideration of Menifee County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comments:

**2005-01:** The Treasurer Should Record All Revenues And Expenditures

**2005-02:** The Treasurer Should Prepare An Accurate And Complete June 30, 2005 Financial Statement

**2005-03:** The Treasurer Should Maintain All Records Necessary For Audit

**2005-04:** Payroll Withholdings Should Be Computed Correctly

**2005-05:** Menifee County Fiscal Court Lacks Adequate Segregation Of Duties

**2005-06:** Adequate Property, Plant And Equipment Records Should Be Maintained

**2005-07:** Disbursements Should Be Adequately Documented

**2005-08:** All Employees Should Maintain Timesheets

**2005-09:** The Fiscal Court Should Prepare A Schedule Of Expenditures Of Federal Awards

**2005-10:** The Fiscal Court Should Deposit Funds Into Interest-Bearing Bank Accounts And Should Create An Investment Policy

To the People of Kentucky

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**2005-11:** The Fiscal Court Should Approve All Transfers

**2005-12:** The Treasurer Should Prepare An Annual Financial Statement And Have It Published In Accordance With KRS 424.220

**2005-13:** The County Judge/Executive Appears To Have Been Overpaid

**2005-14:** The Menifee County Fiscal Court Should Fix Compensation Of County Employees

**2005-15:** The Menifee County Fiscal Court's Actual Expenditures Should Not Exceed Budgeted Expenditures

**2005-16:** The County Treasurer Should Not Disburse Any Money Without Fiscal Court Approval And Should Keep An Accurate Detailed Account Of All Money Received And Disbursed By Him For The County

**2005-17:** The Judge/Executive Should Prepare A Proposed Budget For All County Funds

**2005-18:** The County Judge Should Present All Claims To The Fiscal Court Prior To Payment

**2005-19:** The Fiscal Court Should Pay Invoices Within Thirty Days Of Receipt Of A Vendor's Invoice

Respectfully submitted,

*Morgan - Franklin, LLC*

Morgan-Franklin, LLC

February 21, 2007

## MENIFEE COUNTY OFFICIALS

For The Year Ended June 30, 2005

### **Fiscal Court Members:**

J. D. Trimble	Former County Judge/Executive
Hershell Sexton	County Judge/Executive
Bob Ross	Magistrate
Joe Thomas	Magistrate
David Wells	Magistrate
Glenn Mullins	Magistrate
Rick Crain	Magistrate

### **Other Elected Officials:**

John Nefzger	County Attorney
JoAnn Curtis	County Clerk
Rodney Coffey	Sheriff
Ruby Morrison	Jailer
Jim Lawson	Property Valuation Administrator
Scott Ferrell	Coroner
Karen Wells-Sorrell	Circuit Clerk

### **Appointed Personnel:**

Stuart Salyer	County Treasurer
Dwayne Smallwood	Road Supervisor
Kelly Adams	Occupational Tax Collector

**MENIFEE COUNTY**  
**STATEMENT OF NET ASSETS – MODIFIED CASH BASIS**

**June 30, 2005**

**MENIFEE COUNTY**  
**STATEMENT OF NET ASSETS – MODIFIED CASH BASIS**

**June 30, 2005**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 277,868	\$ 4,753	\$ 282,621
Total Current Assets	277,868	4,753	282,621
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	405,000		405,000
Buildings and Improvements	2,581,848		2,581,848
Furniture and Equipment	15,540		15,540
Vehicles and Equipment	370,920	56,700	427,620
Infrastructure Assets - Net of Depreciation	20,659		20,659
Total Noncurrent Assets	3,393,967	56,700	3,450,667
Total Assets	3,671,835	61,453	3,733,288
<b>LIABILITIES</b>			
Current Liabilities:			
Financing Obligations	161,017	22,406	183,423
Total Current Liabilities	161,017	22,406	183,423
Noncurrent Liabilities:			
Financing Obligations	1,067,055	23,412	1,090,467
Total Noncurrent Liabilities	1,067,055	23,412	1,090,467
Total Liabilities	1,228,072	45,818	1,273,890
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	2,165,895	10,882	2,176,777
Unrestricted	277,868	4,753	282,621
Total Net Assets	\$ 2,443,763	\$ 15,635	\$ 2,459,398

The accompanying notes are an integral part of the financial statements.



**MENIFEE COUNTY**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

**MENIFEE COUNTY**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,382,541	\$	\$ 176,036	\$
Protection to Persons and Property	235,078	1,157	146,730	51,173
General Health and Sanitation	251,594		82,049	32,101
Recreation and Culture	34,955	13,257		
Roads	658,055		980,424	
Debt Service	160,870			
Total Governmental Activities	2,723,093	14,414	1,385,239	83,274
Business-type Activities:				
Ambulance Service	407,816	246,307	10,689	
Total Business-type Activities	407,816	246,307	10,689	
Total Primary Government	\$ 3,130,909	\$ 260,721	\$ 1,395,928	\$ 83,274

**General Revenues and Transfers:**

Taxes:

Real Property Taxes  
Motor Vehicle Taxes  
Insurance License Fees  
Occupational Taxes  
E-911 Surcharges  
In Lieu Taxes  
Other Taxes

Garbage Collections

Excess Fees

Unrestricted Investment Earnings

Transfer

Miscellaneous Revenues

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**MENIFEE COUNTY**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (1,206,505)	\$	\$ (1,206,505)
(36,018)		(36,018)
(137,444)		(137,444)
(21,698)		(21,698)
322,369		322,369
(160,870)		(160,870)
(1,240,166)		(1,240,166)
	(150,820)	(150,820)
	(150,820)	(150,820)
(1,240,166)	(150,820)	(1,390,986)
196,429		196,429
37,327		37,327
117,963		117,963
271,091		271,091
78,591		78,591
98,043		98,043
32,881		32,881
226,031		226,031
29,306		29,306
969		969
(156,000)	156,000	
223,297		223,297
1,155,928	156,000	1,311,928
(84,238)	5,180	(79,058)
2,528,001	10,455	2,538,456
\$ 2,443,763	\$ 15,635	\$ 2,459,398

The accompanying notes are an integral part of the financial statements.

**MENIFEE COUNTY**  
**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**

**June 30, 2005**

**MENIFEE COUNTY**  
**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**

June 30, 2005

	<u>General Fund</u>	<u>Road Fund</u>	<u>Animal Shelter</u>	<u>Health Tax Fund</u>	<u>LGEA Fund</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 58,477	\$ 30,573	\$ 78,189	\$ 42,229	\$ 41,392
Total Assets	<u>\$ 58,477</u>	<u>\$ 30,573</u>	<u>\$ 78,189</u>	<u>\$ 42,229</u>	<u>\$ 41,392</u>
 <b>FUND BALANCES</b>					
Unreserved:					
General Fund	\$ 58,477	\$	\$	\$	\$
Special Revenue Funds		<u>30,573</u>	<u>78,189</u>	<u>42,229</u>	<u>41,392</u>
Total Fund Balances	<u>\$ 58,477</u>	<u>\$ 30,573</u>	<u>\$ 78,189</u>	<u>\$ 42,229</u>	<u>\$ 41,392</u>

**Reconciliation to Statement of Changes In Net Assets:**

Total Fund Balances	\$ 277,868
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Capital Assets Used in Governmental Activities of \$4,108,129, Net of Accumulated Depreciation of \$714,162 are not Financial Resources and, Therefore, are not Reported in the Funds.	3,393,967
Notes Receivables Are Not Reported In The Funds.	
Long-Term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not Reported In The Funds.	
Financing Obligations	<u>(1,228,072)</u>
Net Assets of Governmental Activities	<u>\$ 2,443,763</u>

The accompanying notes are an integral part of the financial statements.

**MENIFEE COUNTY**  
**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**

**June 30, 2005**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<u>\$ 27,008</u>	<u>\$ 277,868</u>
<u>\$ 27,008</u>	<u>\$ 277,868</u>

\$	\$ 58,477
<u>27,008</u>	<u>219,391</u>
<u>\$ 27,008</u>	<u>\$ 277,868</u>

The accompanying notes are an integral part of the financial statements.

**MENIFEE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

**MENIFEE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

	<u>General Fund</u>	<u>Road Fund</u>	<u>LGEA Fund</u>	<u>Animal Shelter Fund</u>
<b>REVENUES</b>				
Taxes	\$ 318,474	\$ 226,031	\$	\$
In Lieu Tax Payments	51,312	46,731		
Excess Fees	29,306			
Licenses and Permits	271,091			
Intergovernmental	266,771	959,522	120,085	82,049
Charges for Services				
Miscellaneous	162,340	19,658	627	
Interest	710	259		
Total Revenues	<u>1,100,004</u>	<u>1,252,201</u>	<u>120,712</u>	<u>82,049</u>
<b>EXPENDITURES</b>				
General Government	680,886		6,960	
Protection to Persons and Property	32,666			
General Health and Sanitation	11,511	143,079	30,385	3,860
Recreation and Culture				
Roads		667,829		
Debt Service	97,444	112,993		
Administration	261,379	208,255	1,469	
Total Expenditures	<u>1,083,886</u>	<u>1,132,156</u>	<u>38,814</u>	<u>3,860</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>16,118</u>	<u>120,045</u>	<u>81,898</u>	<u>78,189</u>
<b>Other Financing Sources (Uses)</b>				
Financing Obligation Proceeds		90,000		
Transfers From Other Funds	327,618	113,582		
Transfers To Other Funds	(321,136)	(403,384)	(79,980)	
Total Other Financing Sources (Uses)	<u>6,482</u>	<u>(199,802)</u>	<u>(79,980)</u>	
Net Change in Fund Balances	22,600	(79,757)	1,918	78,189
Fund Balances - Beginning	35,877	110,330	39,474	
Fund Balances - Ending	<u>\$ 58,477</u>	<u>\$ 30,573</u>	<u>\$ 41,392</u>	<u>\$ 78,189</u>

The accompanying notes are an integral part of the financial statements.



**MENIFEE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

<u>Health Tax Fund</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
\$ 66,125	\$ 78,591	\$ 689,221
		98,043
		29,306
		271,091
	41,244	1,469,671
	13,257	13,257
257	40,415	223,297
		969
<u>66,382</u>	<u>173,507</u>	<u>2,794,855</u>
	110,417	798,263
	174,632	207,298
60,245		249,080
	31,871	31,871
		667,829
	20,063	230,500
	52,326	523,429
<u>60,245</u>	<u>389,309</u>	<u>2,708,270</u>
 <u>6,137</u>	 <u>(215,802)</u>	 <u>86,585</u>
		90,000
	207,300	648,500
		(804,500)
	<u>207,300</u>	<u>(66,000)</u>
6,137	(8,502)	20,585
36,092	35,510	257,283
<u>\$ 42,229</u>	<u>\$ 27,008</u>	<u>\$ 277,868</u>

The accompanying notes are an integral part of the financial statements.

**MENIFEE COUNTY FISCAL COURT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

**MENIFEE COUNTY FISCAL COURT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

Net Change in Fund Balances - Total Governmental Funds	\$ 20,585
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Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of those Assets are Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	28,885
Depreciation Expense	(113,337)

The Issuance of Long-term Debt (e.g. Bonds, Leases) Provides Current Financial Resources to Governmental Funds. While Lease and Bond Payments are Expensed in the Governmental Funds as a Use of Current Financial Resources. These Transactions, However, Have no Effect on Net Assets.

Financing Obligation Proceeds	(90,000)
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Lease and Bond Principal Payments are Expensed in the Governmental Funds as a Use of Current Financial Resources.

Financing Obligations Payments	69,629
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Change in Net Assets of Governmental Activities	<u>\$ (84,238)</u>
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**MENIFEE COUNTY  
STATEMENT OF FUND NET ASSETS – PROPRIETARY FUND  
MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

**MENIFEE COUNTY**  
**STATEMENT OF FUND NET ASSETS – PROPRIETARY FUND**  
**MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

	<u>Enterprise Funds</u>
	<u>Ambulance Service Fund</u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 4,753
Total Current Assets	<u>4,753</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles And Equipment	
Less Accumulated Depreciation	<u>56,700</u>
Total Noncurrent Assets	<u>56,700</u>
Total Assets	61,453
<b>Liabilities</b>	
Current Liabilities:	
Financing Obligations	22,406
Noncurrent Liabilities:	
Financing Obligations	<u>23,412</u>
Total Liabilities	45,818
<b>Net Assets</b>	
Invested in Capital Assets,	
Net of Related Debt	10,882
Unrestricted	<u>4,753</u>
Total Net Assets	<u><u>\$ 15,635</u></u>

The accompanying notes are an integral part of the financial statements.

**MENIFEE COUNTY  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS – PROPRIETARY FUND  
MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

**MENIFEE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS – PROPRIETARY FUND**  
**MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

	<b>Enterprise Funds</b>	
	<b>Ambulance</b>	
	<b>Service Fund</b>	
<b>Operating Revenues</b>		
Run Fees	\$ 246,307	
Total Operating Revenues		246,307
<b>Operating Expenses</b>		
Salaries & Wages	234,801	
Depreciation	10,800	
Vehicles and Equipment	2,777	
Auto Maintenance	6,263	
Rentals	4,200	
Office Supplies	3,205	
Uniforms	583	
Licenses	390	
Medical Supplies	13,488	
Postage	68	
Telephone	3,819	
Training	679	
Travel	69	
Utilities	3,635	
Office Equipment	26	
Equipment	1,883	
Social Security and Medicare	17,962	
Retirement	19,640	
Insurance	8,326	
Life Insurance	22,891	
Health Insurance	98	
Worker's Compensation	35,915	
Miscellaneous	16,298	
Total Operating Expenses		407,816
Operating Income (Loss)		(161,509)
<b>Nonoperating Revenues (Expenses)</b>		
Grant Proceeds	10,689	
Total Nonoperating Revenues (Expenses)		10,689
Change In Net Assets		(150,820)
Transfers In		156,000
Total Net Assets - Beginning		10,455
Total Net Assets - Ending		<u>\$ 15,635</u>

The accompanying notes are an integral part of the financial statements.

**MENIFEE COUNTY  
STATEMENT OF CASH FLOWS – PROPRIETARY FUND –  
MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**



**MENIFEE COUNTY**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUND –**  
**MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

	<u>Ambulance Service Fund</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from Customers	\$ 246,307
Materials and Supplies	(41,085)
Personnel Services	(339,633)
Miscellaneous	<u>(16,298)</u>
Net Cash Provided by Operating Activities	(150,709)
<b>Cash Flows From Capital And Related Financing Activities</b>	
Purchase of Ambulance	(67,500)
Lease Principal Payments	(21,682)
Lease Proceeds	<u>67,500</u>
Net Cash Provided by Capital Financing Activities	(21,682)
<b>Cash Flows from Noncapital Financing Activities</b>	
Grant Proceeds	10,689
Transfers in	<u>156,000</u>
Net Cash Provided by Noncapital Financing Activities	166,689
Cash and Cash Equivalents - July 1, 2004	<u>10,455</u>
Cash and Cash Equivalents - June 30, 2005	<u><u>\$ 4,753</u></u>
<b>Reconciliation of Operating Income to Net Cash Used by Operating Activities</b>	
Operating Loss	\$ (161,509)
Depreciation	<u>10,800</u>
Net Cash Used by Operating Activities	<u><u>\$ (150,709)</u></u>

The accompanying notes are an integral part of the financial statements.

**MENIFEE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2005**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Menifee County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. Management should have included the Menifee County Public Properties Corporation as part of the reporting entity. However, because the Corporation did not prepare financial statements, its financial information is not reported with that of Menifee County Fiscal Court.

**C. Menifee County Elected Officials**

The Kentucky constitution provides for election of the below officials from the geographic area constituting Menifee County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Menifee County, Kentucky.

**MENIFEE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Menifee County Elected Officials (Continued)**

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities), report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The government-wide financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting, as do the proprietary fund financial statements. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function 2) operating grants and contributions and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

**MENIFEE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Funds are characterized as either major or non-major funds. Major funds are those funds whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary funds) and whose total assets, liabilities, revenues, and expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

All governmental fund statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. The modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Animal Shelter Fund - The primary purpose of this fund is to account for the animal shelter expenses of the county. The primary sources of revenue for this fund are grants from the state and federal government and transfers from the General Fund.

Health Tax Fund - The purpose of this fund is to account for receipt and expenditure of health tax funds.

Local Government Economic Assistance Fund - These funds may be spent for public safety, environmental protection, public transportation, health, recreation libraries, social services, industrial and economic development, workforce training, and secondary wood industry development. In no event shall these funds be used for expenses relating to the administration of government. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Parks Enterprise Fund, Emergency 911 Fund, Wellness Fund, Health Tax Fund, Building Commission Fund, and Animal Shelter Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**MENIFEE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Proprietary Fund:

The proprietary fund is reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise fund is charges to customers for ambulance service. Operating expenses for the enterprise fund include the cost services and administrative expenses. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements of Interpretations issued after November 30, 1998 unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

Proprietary Fund (Continued)

The primary government reports the following major proprietary fund:

Ambulance Fund - The purpose of this fund is to account for ambulance service expenses of the county. The primary sources of revenue for this fund are charges for services and grant funds from state and federal governments. The funds are used to maintain and operate an ambulance service.

The primary government should have reported the following major proprietary fund:

Menifee County Public Properties Corporation – The purpose of this fund is to account for the activities of the Menifee County Public Properties Corporation. The Menifee County Public Properties Corporation issued debt to renovate the courthouse. The Menifee County Public Properties Corporation has entered into a lease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts (the "AOC"), in which the AOC wishes to use and sublease all or a portion of certain facilities owned or to be constructed by or on behalf of the County. This sublease requires payments to be made by AOC in an amount equal to the debt payments associated with the renovations.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificate of deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**MENIFEE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, should have been reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets should be recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life should not be capitalized. Land and Construction In Progress should not be depreciated. Interest incurred during construction should not be capitalized. Capital assets and infrastructure should be depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-5
Infrastructure	\$ 20,000	10-50
Office Equipment	\$ 1,000	3-25

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period.

The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent the fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

**MENIFEE COUNTY  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2005**

**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity (Continued)**

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Menifee County Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually. The Governor’s Office for Local Development does not require this fund to be budgeted. Furthermore, formal budgets were not adopted for the ECHO Fund and Cave Run Water Commission – Water Treatment Fund, as required.

**J. Related Organizations, Joint Venture, and Jointly Governed Organizations**

A jointly governed organization is an entity that results from a multigovernmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility of the participating governments. The jointly governed organization can act independently of each of the participating governments. The Menifee, Morgan and Rowan Counties Industrial Park (MMRC) meets the criteria noted above and is an organization jointly governed by the Kentucky counties previously mentioned.

**K. Property Tax Calendar**

Generally, and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale April 30 following the delinquency date.

**MENIFEE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 2. Deposits and Investments**

**A. Collateral**

The County maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480 (1)(d). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**B. Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution's failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (4). As of August 31, 2004 and June 30, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.



**MENIFEE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 3. Capital Assets**

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 405,000	\$	\$	\$ 405,000
Total Capital Assets Not Being Depreciated	405,000			405,000
Capital Assets, Being Depreciated:				
Buildings & Improvements	3,076,414			3,076,414
Vehicles and Equipment	570,130	6,751		576,881
Furniture & Office Equipment	27,700			27,700
Infrastructure		22,134		22,134
Total Capital Assets Being Depreciated	3,674,244	28,885		3,703,129
Less Accumulated Depreciation For:				
Buildings & Improvements	(430,907)	(63,659)		(494,566)
Vehicles and Equipment	(163,505)	(42,455)		(205,960)
Furniture & Office Equipment	(6,413)	(5,747)		(12,160)
Infrastructure		(1,476)		(1,476)
Total Accumulated Depreciation	(600,825)	(113,337)		(714,162)
Total Capital Assets, Being Depreciated, Net	3,073,419	(84,452)		2,988,967
Governmental Activities Capital Assets, Net	<u>\$ 3,478,419</u>	<u>\$ (84,452)</u>	<u>\$ 0</u>	<u>\$ 3,393,967</u>
<u>Proprietary Activities</u>				
Capital Assets, Being Depreciated:				
Vehicles	\$	\$ 67,500	\$	\$ 67,500
Total Capital Assets Being Depreciated		67,500		67,500
Less Accumulated Depreciation For:				
Vehicles		(10,800)		(10,800)
Total Accumulated Depreciation		(10,800)		(10,800)
Proprietary Activities Capital Assets, Net	<u>\$ 0</u>	<u>\$ 56,700</u>	<u>\$ 0</u>	<u>\$ 56,700</u>

**MENIFEE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 60,848
Protection to Persons and Property	27,780
General Health and Sanitation	2,514
Recreation and Culture	3,084
Roads, Including Depreciation of General Infrastructure Assets	<u>19,111</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 113,337</u>

Business - Type Activities:

Ambulance Fund	<u>\$ 10,800</u>
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**Note 4. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing multiple-employer defined benefit pension plan public retirement system, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646

**Note 5. Insurance**

For the fiscal year ended June 30, 2005, Menifee County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**MENIFEE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 6. Long-term Debt**

Governmental Activities:

**A. Capital Lease – Courthouse Renovation And Industrial Park Improvements**

On September 12, 2001, the Menifee County Fiscal Court entered into a lease agreement with the Kentucky Area Development Districts Financing Trust for various projects including courthouse renovation and industrial park improvements in the amount of \$785,000 with an interest rate of 5.6 percent. The agreement requires two semiannual interest payments be made in March and September of each year commencing March 1, 2002. Principal payments are due in September of each year commencing September 1, 2002, to be paid in full September 1, 2026. As of June 30, 2005, the principal balance remaining was \$720,000. Lease payments for the remaining years are:

Fiscal Year Ended June 30	Principal	Interest
2006	\$ 25,000	\$ 36,811
2007	25,000	35,749
2008	25,000	34,642
2009	30,000	33,778
2010	30,000	31,998
2011-2015	160,000	137,724
2016-2020	215,000	88,920
2021-2025	165,000	30,380
2026	45,000	2,660
Totals	<u>\$ 720,000</u>	<u>\$ 432,662</u>

**B. Capital Lease – Ohio Casualty Company Settlement**

On March 21, 2002, the Menifee County Fiscal Court entered into a lease agreement with the Kentucky Area Development Districts Financing Trust in the amount of \$205,000 with a variable interest rate of 4.0 to 4.9 percent. The funds were used to pay a settlement with Ohio Casualty Company relating to an overpayment of insurance premium taxes paid by Ohio Casualty Company to the Menifee County Fiscal Court. The agreement requires two semiannual interest payments be made in May and November of each year commencing November 1, 2002. Principal payments are due in May of each year commencing May 1, 2003, to be paid in full May 1, 2012. As of June 30, 2005, the principal balance remaining was \$155,000. Lease payments for the remaining years are:

Fiscal Year Ended June 30	Principal	Interest
2006	\$ 20,000	\$ 7,475
2007	20,000	6,555
2008	20,000	5,635
2009	20,000	4,655
2010	25,000	3,675
2011-2012	50,000	3,675
Totals	<u>\$ 155,000</u>	<u>\$ 31,670</u>

**MENIFEE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

Governmental Activities:

**C. Capital Lease – 12G Grader**

In July 2003, the Menifee County Fiscal Court entered into a lease agreement for a 12G Grader with Caterpillar Financial Services Corporation in the amount of \$64,250. The lease requires monthly payments of \$1,179 for 60 months at an interest rate of 3.75%. As of June 30, 2005, the principal balance remaining was \$39,693. Lease payments for the remaining years are:

Fiscal Year Ended June 30	Principal	Interest
2006	\$ 12,884	\$ 31,516
2007	13,375	26,766
2008	13,434	21,968
Totals	<u>\$ 39,693</u>	<u>\$ 80,250</u>

**D. Capital Lease - 914G Grader**

In September 2003, the Menifee County Fiscal Court entered into a lease agreement for a 914G grader with Caterpillar Financial Services Corporation in the amount of \$32,350. The lease requires monthly payments of \$728 for 48 months at an interest rate of 4.0%. As of June 30, 2005, the principal balance remaining was \$18,879. Lease payments for the following years are:

Fiscal Year Ended June 30	Principal	Interest
2006	\$ 8,133	\$ 632
2007	8,465	300
2008	2,281	24
Totals	<u>\$ 18,879</u>	<u>\$ 956</u>

**MENIFEE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

Governmental Activities:

**E. United States Department of Agriculture, Rural Development**

Long-term notes payable consisted of a \$233,000 notes payable due to the United States Department of Agriculture, Rural Development bearing interest at a rate of 5%. The note requires semiannual interest payments due in June and December of each year and annual principal payments due in December of each year. As of June 30, 2005, the principal balance remaining was \$204,500. Note payments for the following years are:

Fiscal Year Ended June 30	Principal	Interest
2006	\$ 5,000	\$ 10,225
2007	5,000	9,975
2008	5,500	9,725
2009	5,500	9,450
2010	6,000	9,175
2011-2015	35,000	41,050
2016-2020	44,500	31,400
2021-2025	56,500	19,150
2026-2027	41,500	4,225
Totals	<u>\$ 204,500</u>	<u>\$ 144,375</u>

Public Properties Corporation:

**F. Menifee County Public Properties Corporation – Courthouse Renovation**

On May 1, 2000, the Menifee County Public Properties Corporation issued \$2,845,000 in First Mortgage Revenue Bonds for the purpose of renovating the existing courthouse facility. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year commencing September 1, 2000. Principal payments are payable annually commencing March 1, 2002.

On May 1, 2000, the Menifee County Public Properties Corporation (the Corporation) entered into a lease agreement with the Administrative Office of the Courts (AOC) and the Menifee County Fiscal Court in which the AOC and the County leases from the Corporation the renovated courthouse. The annual AOC rental payments are expected to be in the amount of the principal and the interest payments due each year. The County is obligated to provide operation, maintenance, insurance, and repairs to the courthouse. The outstanding balance of this bond as of June 30, 2005 is \$2,675,000. Payments for the following years are:

**MENIFEE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 7. Long-term Debt (Continued)**

**F. Menifee County Public Properties Corporation – Courthouse Renovation (Continued)**

Fiscal Year Ended June 30	Principal	Interest
2006	\$ 50,000	\$ 154,681
2007	50,000	152,181
2008	55,000	149,681
2009	55,000	146,876
2010	60,000	144,071
2011-2015	340,000	671,011
2016-2020	450,000	508,253
2021-2025	605,000	421,593
2026-2030	815,000	215,113
2031	195,000	11,944
Totals	<u>\$ 2,675,000</u>	<u>\$ 2,575,404</u>

Business –Type Activities:

**G. Capital Lease - Ambulance**

In April 2004, the Menifee County Fiscal Court entered into a lease agreement for an Ambulance with Kansas State Bank in the amount of \$67,500. The lease requires annual payments to be made by April 30 of each year with the last payment to be made on April 30, 2007. As of June 30, 2005, the principal balance remaining was \$45,818. Lease payment for the following years are:

Fiscal Year Ended June 30	Principal	Interest
2006	\$ 22,406	\$ 2,057
2007	23,412	1,051
Totals	<u>\$ 45,818</u>	<u>\$ 3,108</u>

**H. Long-term liability activity for the year ended June 30, 2005, was as follows:**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Financing Obligations	<u>\$ 1,207,701</u>	<u>\$ 0</u>	<u>\$ 69,629</u>	<u>\$ 1,138,072</u>	<u>\$ 71,017</u>
<b>Business-type Activities</b>					
Financing Obligations	<u>\$ 0</u>	<u>\$ 67,500</u>	<u>\$ 21,682</u>	<u>\$ 45,818</u>	<u>\$ 22,406</u>

**MENIFEE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 8. Short-Term Notes Payable**

On June 23, 2004, the Menifee County Fiscal Court borrowed \$90,000 at an interest rate of 6% from Traditional Bank to purchase two garbage trucks from The City of Frenchburg. This note required one principal payment of \$90,000 plus interest on June 23, 2005. At June 30, 2005, the balance of this note was \$0.

On June 23, 2005, the Menifee County Fiscal Court borrowed \$90,000 at an interest rate of 6% from Traditional Bank to pay the \$90,000 balance due on the note described in the preceding paragraph. This note requires one principal payment of \$90,000 plus interest on July 14, 2006. At June 30, 2005, the balance of this note was \$90,000.

	Beginning Balance	Additions	Reductions	Ending Balance
Short - Term Debt	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$ 90,000</u>

**Note 9. Interest on Long-term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$79,246 in interest on financing obligations.

**Note 10. Deferred Compensation**

The Menifee County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees Deferred Compensation Authority, 105 Sea Hero Road Suite #1, Frankfort, KY 40601-8862.

**MENIFEE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplemental Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**



**MENIFEE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
Required Supplemental Information – Modified Cash Basis

**For The Year Ending June 30, 2005**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 291,600	\$ 291,600	\$ 318,474	\$ 26,874
In Lieu Payments			51,312	51,312
Excess Fees	3,200	3,200	29,306	26,106
Licenses and Permits	226,000	226,000	271,091	45,091
Intergovernmental Revenue	233,710	233,710	266,771	33,061
Miscellaneous	100,000	100,000	162,340	62,340
Interest	5,000	5,000	710	(4,290)
Total Revenues	859,510	859,510	1,100,004	240,494
<b>EXPENDITURES</b>				
General Government	461,864	534,951	680,886	(145,935)
Protection to Persons and Property	12,903	10,523	32,666	(22,143)
General Health and Sanitation	6,525	8,525	11,511	(2,986)
Debt Service	97,444	97,444	97,444	0
Administration	172,077	208,052	261,379	(53,327)
Total Expenditures	750,813	859,495	1,083,886	(224,391)
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	108,697	15	16,118	16,103
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Obligation Proceeds				
Transfers From Other Funds	153,439	153,439	327,618	174,179
Transfers To Other Funds	(210,963)	(210,963)	(321,136)	(110,173)
Total Other Financing Sources (Uses)	(57,524)	(57,524)	6,482	64,006
Net Changes in Fund Balance	51,173	(57,509)	22,600	80,109
Fund Balance - Beginning			35,877	35,877
Fund Balance - Ending	\$ 51,173	\$ (57,509)	\$ 58,477	\$ 115,986

**MENIFEE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
Required Supplemental Information – Modified Cash Basis

For The Year Ending June 30, 2005

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 215,000	\$ 215,000	\$ 226,031	\$ 11,031
In Lieu Payments	40,000	40,000	46,731	6,731
Intergovernmental Revenue	640,790	640,790	959,522	318,732
Miscellaneous			19,658	19,658
Administration			259	259
Total Revenues	895,790	895,790	1,252,201	356,411
<b>EXPENDITURES</b>				
General Health and Sanitation	144,000	154,000	143,079	10,921
Roads	463,000	544,000	667,829	(123,829)
Debt Service			112,993	(112,993)
Administration	194,243	204,164	208,255	(4,091)
Total Expenditures	801,243	902,164	1,132,156	(229,992)
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	94,547	(6,374)	120,045	126,419
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Obligation Proceeds			90,000	90,000
Transfers From Other Funds	58,892	58,892	113,582	54,690
Transfers To Other Funds	(153,439)	(153,439)	(403,384)	(249,945)
Total Other Financing Sources (Uses)	(94,547)	(94,547)	(199,802)	(105,255)
Net Changes in Fund Balance		(100,921)	(79,757)	21,164
Fund Balance - Beginning			110,330	110,330
Fund Balance - Ending	\$ 0	\$ (100,921)	\$ 30,573	\$ 131,494

**MENIFEE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplemental Information – Modified Cash Basis**

**For The Year Ending June 30, 2005**

<b>ANIMAL SHELTER</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 81,789	\$ 81,579	\$ 82,049	\$ 470
Total Revenues	<u>81,789</u>	<u>81,579</u>	<u>82,049</u>	<u>470</u>
<b>EXPENDITURES</b>				
General Health and Sanitation	81,789	81,789	3,860	77,929
Total Expenditures	<u>81,789</u>	<u>81,789</u>	<u>3,860</u>	<u>77,929</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		<u>(210)</u>	<u>78,189</u>	<u>78,399</u>
Net Changes in Fund Balance		(210)	78,189	78,399
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (210)</u>	<u>\$ 78,189</u>	<u>\$ 78,399</u>

**MENIFEE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
Required Supplemental Information – Modified Cash Basis

For The Year Ending June 30, 2005

	HEALTH TAX			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 58,000	\$ 58,000	\$ 66,125	\$ 8,125
Miscellaneous			257	257
Total Revenues	58,000	58,000	66,382	8,382
<b>EXPENDITURES</b>				
General Health and Sanitation	58,000	88,000	60,245	27,755
Administration		6,180		6,180
Total Expenditures	58,000	94,180	60,245	33,935
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		(36,180)	6,137	42,317
Net Changes in Fund Balance		(36,180)	6,137	42,317
Fund Balance - Beginning			36,092	36,092
Fund Balance - Ending	\$ 0	\$ (36,180)	\$ 42,229	\$ 78,409

**MENIFEE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplemental Information – Modified Cash Basis**

**For The Year Ending June 30, 2005**

<b><u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u></b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 57,000	\$ 57,000	\$ 120,085	\$ 63,085
Miscellaneous			627	627
Total Revenues	<u>57,000</u>	<u>57,000</u>	<u>120,712</u>	<u>63,712</u>
<b>EXPENDITURES</b>				
General Government	8,200	8,800	6,960	1,840
General Health and Sanitation			30,385	(30,385)
Administration	3,820	43,391	1,469	41,922
Total Expenditures	<u>12,020</u>	<u>52,191</u>	<u>38,814</u>	<u>13,377</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>44,980</u>	<u>4,809</u>	<u>81,898</u>	<u>77,089</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	<u>(44,980)</u>	<u>(44,980)</u>	<u>(79,980)</u>	<u>(35,000)</u>
Total Other Financing Sources (Uses)	<u>(44,980)</u>	<u>(44,980)</u>	<u>(79,980)</u>	<u>(35,000)</u>
Net Changes in Fund Balance		(40,171)	1,918	42,089
Fund Balance - Beginning			39,474	39,474
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (40,171)</u>	<u>\$ 41,392</u>	<u>\$ 81,563</u>

**MENIFEE COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2005**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Meniffee County Public Properties Corporation, Cave Run Water Commission – Water Treatment Plant, and ECHO Funds.

The State Local Finance Officer does not require the Meniffee County Public Properties Corporation to be budgeted. Bond indentures and other relevant contractual provisions require specific annual payments to these funds and these transfers are budgeted in the governmental funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The fiscal court exceeded it's budgeted expenditures in all funds budgeted except the Health Tax and Animal Shelter Funds.

**MENIFEE COUNTY  
COMBINING BALANCE SHEET –  
NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2005**

**MENIFEE COUNTY  
COMBINING BALANCE SHEET –  
NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2005**

	<b>Jail Fund</b>	<b>Park Enterprise Fund</b>	<b>Emergency 911 Fund</b>	<b>Wellness Fund</b>	<b>Building Commission Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 780	\$ 15,675	\$ 1,571	\$ 8,165	\$ 817	\$ 27,008
Total Assets	<u>\$ 780</u>	<u>\$ 15,675</u>	<u>\$ 1,571</u>	<u>\$ 8,165</u>	<u>\$ 817</u>	<u>\$ 27,008</u>
<b>FUND BALANCES</b>						
Special Revenue Funds	\$ 780	\$ 15,675	\$ 1,571	\$ 8,165	\$ 817	\$ 27,008
Total Fund Balances	<u>\$ 780</u>	<u>\$ 15,675</u>	<u>\$ 1,571</u>	<u>\$ 8,165</u>	<u>\$ 817</u>	<u>\$ 27,008</u>



**MENIFEE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2005**

**MENIFEE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2005**

	<b>Jail Fund</b>	<b>Park Enterprise Fund</b>	<b>Emergency 911 Fund</b>	<b>Wellness Fund</b>	<b>Building Commission Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>						
Taxes	\$	\$	\$ 78,591	\$	\$	\$ 78,591
Intergovernmental	41,244					41,244
Charges For Services		13,257				13,257
Miscellaneous	964	4,131			35,320	40,415
Total Revenues	<u>42,208</u>	<u>17,388</u>	<u>78,591</u>		<u>35,320</u>	<u>173,507</u>
<b>EXPENDITURES</b>						
General Government			86,498	3,144	20,775	110,417
Protection to Persons and Property	174,632					174,632
Recreation and Culture		31,871				31,871
Debt Service					20,063	20,063
Administration	13,281	636	38,409			52,326
Total Expenditures	<u>187,913</u>	<u>32,507</u>	<u>124,907</u>	<u>3,144</u>	<u>40,838</u>	<u>389,309</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(145,705)</u>	<u>(15,119)</u>	<u>(46,316)</u>	<u>(3,144)</u>	<u>(5,518)</u>	<u>(215,802)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers From Other Funds	141,000	17,300	46,000		3,000	207,300
Total Other Financing Sources (Uses)	<u>141,000</u>	<u>17,300</u>	<u>46,000</u>		<u>3,000</u>	<u>207,300</u>
Net Change in Fund Balance	(4,705)	2,181	(316)	(3,144)	(2,518)	(8,502)
Fund Balance - Beginning	5,485	13,494	1,887	11,309	3,335	35,510
Fund Balance - Ending	<u>\$ 780</u>	<u>\$ 15,675</u>	<u>\$ 1,571</u>	<u>\$ 8,165</u>	<u>\$ 817</u>	<u>\$ 27,008</u>

**MENIFEE COUNTY  
SCHEDULE FINDINGS AND QUESTIONED COSTS**

**Fiscal Year Ended June 30, 2005**

**MENIFEE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Other Supplemental Information**

**Fiscal Year Ended June 30, 2005**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses a disclaimer of opinion on the financial statements of Menifee County, Kentucky.
2. Seven reportable conditions relating to the internal control of the audit of the financial statements are reported in the Independent Auditors' Report. Of these, all are considered to be material weaknesses.
3. Twelve instances of noncompliance material to the financial statements of Menifee County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditors' Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Menifee County expresses a qualified opinion.
6. There is one audit finding relative to the major federal awards programs for Menifee County reported in Part C of this schedule.
7. The program tested as a major program was:
  - U.S. Department Of Housing And Urban Development passed through State Department for Local Governments:  
Community Development Block Grant  
Cave Run Water Commission  
Water Treatment Plant (CFDA #14.228)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Menifee County was not determined to be a low-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**REPORTABLE CONDITIONS:**

**Reference Number 2005-1**

**The Treasurer Should Record All Revenues and Expenditures**

During the course of our audit, we noted that revenues in the amount of \$95,725 and disbursements in the amount of \$60,984 in the Cops Grant Account had not been recorded. We recommend that all revenues and expenditures be recorded within the financial statements.

*County Judge/Executive James D. Trimble's Response: We worked with the Sheriff's Dept. It was spent accurately to the proper channels.*

**MENIFEE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Other Supplemental Information**  
**Fiscal Year Ended June 30, 2005**  
**(Continued)**

**Reference Number 2005-2**

The Treasurer Should Prepare An Accurate And Complete June 30, 2005 Financial Statement

During the course of our audit, we noted numerous problems related to the presentation and disclosure of the June 30, 2005 Financial Statement as noted below:

- Transfers in and transfers out did not balance and had a net difference of \$10,775.63. These amounts should always balance.
- Large amounts of revenues and expenditures were posted to miscellaneous. Miscellaneous receipts and disbursements accounts should be used sparingly.
- All funds were not shown on the June 30, 2005 Financial Statement. The Echo Fund, Coal Development Fund, COPS Grant Account, and Public Properties Corporation Fund were not reported.
- The liabilities section should be prepared which describes all bonds, leases, and notes.

We recommend the Treasurer prepare an accurate quarter ending June 30, 2005 Financial Statement that depicts the true financial condition of the county.

The Meniffee County Treasurer has not been maintaining financial records for all funds. The Treasurer did not record receipts or disbursements for the Coal Development Fund, COPS Grant Account, and ECHO Fund. We recommend that the Treasurer keep adequate records, including bank reconciliations for all accounts.

Upon scanning of miscellaneous accounts and inquiries to the treasurer, we became aware of additional debt that we were not informed of as follows:

Traditional Bank Loan	\$ 90,000
Kansas State Bank Lease	67,500

We recommend that the Treasurer maintain an accurate listing of outstanding liabilities.

*County Judge/Executive James D. Trimble's Response: City Trash Trucks - Ambulance purchase.*

**Reference Number 2005-3**

The Treasurer Should Maintain All Records Necessary For Audit

The Treasurer did not make the following records available during the audit:

- Various Bank Reconciliations for June 30, 2005
- Schedule of Expenditures of Federal Awards
- Liabilities Worksheet
- Detailed Encumbrance List as of June 30, 2005
- Bank Statements for various accounts
- Deposit Slips
- COPS Grant Agreement
- Rate of pay for all employees

**MENIFEE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2005**  
**(Continued)**

**Reference Number 2005-3 (Continued)**

The Treasurer is not maintaining a detailed list of encumbrances. Therefore, we were unable to trace purchase orders to the Treasurer's financial statement. We recommend that the Treasurer start providing and maintaining a detailed list of his encumbrances. We recommend the Treasurer maintain all records necessary for the audit in the future.

*County Judge/Executive James D. Trimble's Response: Hopefully new treasurer employed Aug. 2005 has maintained proper records.*

**Reference Number 2005-4**

Payroll Withholdings Should Be Computed Correctly

During our testing of payroll we found that FICA withholdings were not being computed correctly. The Treasurer should deduct retirement withholdings from gross wages to compute FICA. We recommend FICA withholdings be computed correctly in the future.

*County Judge/Executive James D. Trimble's Response: No response.*

**Reference Number 2005-5**

Menifee County Fiscal Court Lacks Adequate Segregation Of Duties

We conclude the internal control structure lacks a proper segregation of duties. There is a limited staff size that prevents adequate division of responsibilities. Furthermore, the Treasurer has statutory authority to assume the role as custodian of monetary asset, as well as recorder of transactions and preparer of financial statements. We recommend the following compensating controls be implemented to offset this internal control weakness:

- The County Judge/Executive's office should maintain a separate appropriation ledger and reconcile monthly to the Treasurer's appropriation ledger.
- An independent person should list all receipts and agree them back to the Treasurer's receipt ledger.
- An independent person should complete bank reconciliation's monthly or review the Treasurer's bank reconciliation's for accuracy.
- The County Judge/Executive's office, or someone independent of the Treasurer, should issue all purchase orders.
- Someone independent of check writing and posting duties should match purchase orders to checks and invoices.

*County Judge/Executive James D. Trimble's Response: We hired a finance officer to do this. Martie Ferrell*

**MENIFEE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2005**  
**(Continued)**

**Reference Number 2005-6**

Adequate Property, Plant And Equipment Records Should Be Maintained

During our testing of property, plant and equipment we noted the following:

- Three property, plant and equipment items tested had no supporting documentation for their values.
- Titles could not be located for two of the assets.
- During our repairs and maintenance analysis, we noted four items that appeared to require capitalization, based on the invoice, according to the county's capitalization policy, but were not included on the county's asset list.
- There were three other expenditures that we could not obtain invoices for, therefore, we could not determine if they needed to be capitalized. .

We recommend that the Treasurer keep adequate records of property plant and equipment and that future effort be made to locate paid invoices or other methods used to estimate these values.

*County Judge/Executive James D. Trimble's Response: Folders in filing cabinets. I gave a complete listing of all purchases to the treasurer and new adm.*

**Reference Number 2005-7**

Disbursements Should Be Adequately Documented

We tested twenty-nine disbursements during our disbursement testing. Of the twenty-nine disbursements tested, sixteen invoices were not provided to us. Of the thirteen that were provided we noted the following:

- One instance in which the invoice did not agree to the check amount.
- Six instances in which check dates per the general ledger did not match the cancelled check dates.

We could not find Fiscal Court approvals for seventeen of the items tested.

We recommend that the Treasurer maintain proper documentation of disbursements expended throughout the fiscal year.

*County Judge/Executive James D. Trimble's Response: Several invoices were combined, other I don't know.*

**MENIFEE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2005**  
**(Continued)**

NONCOMPLIANCES:

**Reference Number 2005-8**

All Employees Should Maintain Timesheets

Timesheets were not maintained for the county treasurer, sheriff's deputies, and other salaried employees. KRS 337.320 states every employer shall keep record of the hours worked each day and each week by each employee. Timesheets should be kept for payroll verification and as a record of leave time used, and a supervisor should sign these time sheets. We recommend all employees maintain timesheets in the future.

*County Judge/Executive James D. Trimble's Response: Sheriff dept. had all employees time sheets (their dept.) oversight on treasurer.*

**Reference Number 2005-9**

The Fiscal Court Should Prepare A Schedule Of Expenditures Of Federal Awards

OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations, section 310(B) requires the auditee to prepare a schedule of expenditures of federal awards covered by the auditee's financial statements. At a minimum, the schedule shall include:

- A list of individual Federal programs by Federal Agency. For Federal Programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- For Federal awards received as a sub recipient, provide the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- Include notes that describe the significant accounting policies used in preparing the schedule.
- To the extent practical, pass-through entities should identify in the schedule the total amount provided to sub recipients from each Federal Program.
- Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year-end. While not required, it is preferable to present this information in the schedule.

In the future, we recommend that this schedule be maintained throughout the fiscal year.

*County Judge/Executive James D. Trimble's Response: FEMA agent, Gateway*



**MENIFEE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2005**  
**(Continued)**

**Reference Number 2005-10**

The Fiscal Court Should Deposit Funds Into Interest-Bearing Bank Accounts And Should Create An Investment Policy.

The Fiscal Court currently does not have an investment policy. KRS 66.480 requires fiscal courts to have adopted, by January 1, 1995, a written investment policy. The specific information that the written policy should include is listed in the full text of KRS 66.480. The Fiscal Court also does not earn interest on most of the county's funds. This would be an additional source of revenue for the county. We recommend the Fiscal Court create an investment policy and begin depositing funds into interest-bearing accounts.

*County Judge/Executive James D. Trimble's Response: T. Bank did this for us. All accts were on NOW accts.*

**Reference Number 2005-11**

The Fiscal Court Should Approve All Transfers

All cash transfers between funds require fiscal court approval. We could not find evidence of the fiscal court approving transfers between funds. We recommend all transfers presented to the fiscal court for approval be recorded in the official minutes of the fiscal court meeting.

*County Judge/Executive James D. Trimble's Response: Tx. Jail fund from General*

**Reference Number 2005-12**

The Treasurer Should Prepare An Annual Financial Statement And Have It Published In Accordance With KRS 424.220

The Treasurer did not prepare and publish an annual financial statement. KRS 424.220 requires the Treasurer to publish an annual financial statement within 60 days following the end of the fiscal year. The financial statement is required to show the total amount collected and received from each individual source and the total amount of funds disbursed to each individual payee. We recommend the Treasurer prepare an annual financial statement and have it published in accordance with KRS 424.220.

*County Judge/Executive James D. Trimble's Response: Ck. with newspaper.*

**Reference Number 2005-13**

The County Judge/Executive Appears To Have Been Overpaid

During our test of payroll, we discovered the County Judge/Executive, J.D. Trimble, was overpaid \$559 for calendar year 2004. We recommend the Fiscal Court review these salary payments to determine if these payments are valid. If these payments are determined to be invalid, we then recommend the fiscal court request reimbursement of the funds from the County Judge/Executive.

*County Judge/Executive James D. Trimble's Response: Will reimburse if proper doc. is supplied.*

**MENIFEE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2005**  
**(Continued)**

**Reference Number 2005-14**

The Menifee County Fiscal Court Should Fix Compensation Of County Employees

Per KRS 64.530, the Fiscal Court of each county shall fix the compensation of every county officer and employee except the officers named in KRS 64.535 and the county attorney and jailer. The Fiscal Court may provide a salary for the county attorney. The Fiscal Court approved an across the board 2% increase in salaries and wages for all employees. However, the treasurer could not provide records documenting each individual's new pay rate. We recommend that the Menifee County Fiscal Court comply with KRS 64.530.

*County Judge/Executive James D. Trimble's Response: Fixed with new personnel.*

**Reference Number 2005-15**

The Menifee County Fiscal Court's Actual Expenditures Should Not Exceed Budgeted Expenditures

Various line item expenditures exceeded budgeted expenditures. We recommend that the Treasurer monitor the budget and amend as deemed necessary. In the future these amounts could be disallowed.

*County Judge/Executive James D. Trimble's Response: in F.C. minutes. Ex. Jail and General.*

**Reference Number 2005-16**

The County Treasurer Should Not Disburse Any Money Without Fiscal Court Approval And Should Keep An Accurate Detailed Account Of All Money Received And Disbursed By Him For The County

Per KRS 68.020, the county treasurer shall receive and receipt for all money due the county from its collecting officers or from any other person whose duty it is to pay money into the county treasury, and shall disburse such money in such a manner and for such purpose as may be authorized by appropriate authority of the fiscal court. He shall not disburse any money received by him for any purpose other than that for which it was collected and paid over to him, and when he pays out money he shall take a receipt therefore. All warrants for the payment of funds from the county treasury shall be co-signed by the county treasurer and the county judge/executive. Furthermore, he shall keep an accurate detailed account of all money received and disbursed by him for the county, and shall keep books of accounts of the financial transactions of the county in the manner required by the uniform system of accounting prescribed by the state local finance officer. During our test of disbursements, we noted numerous instances in which we could not trace the disbursements to approval in the fiscal court minutes. We also were unable to view many of the invoices because they could not be located. We recommend that the Treasurer refrain from making disbursements without prior approval from the fiscal court. We also recommend that the Treasurer retain invoices paid.

*County Judge/Executive James D. Trimble's Response: No response.*

**MENIFEE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2005**  
**(Continued)**

**Reference Number 2005-17**

The Judge/Executive Should Prepare A Proposed Budget For All County Funds

Per KRS 68.240, the county judge/executive shall annually prepare a proposed budget for the expenditure of all funds, including those from state and federal sources, which are to be expended by the fiscal court in the next fiscal year. The county judge/executive failed to prepare a proposed budget for the ECHO Fund and the Cave Run Water Commission Fund. We recommend that the judge/executive budget for these funds in the future.

*County Judge/Executive James D. Trimble's Response: I inherited these two. They complete their on BD approvals.*

**Reference Number 2005-18**

The County Judge Should Present All Claims To The Fiscal Court Prior To Payment

Per KRS 68.275(2), the county judge/executive shall present all claims to the fiscal court for review prior to payment and the court, for good cause shown, may order that a claim not be paid. As noted in finding number fifteen we could not find approval for seventeen of the twenty-nine disbursements tested.

*County Judge/Executive James D. Trimble's Response: I gave all claims I knew about.*

**Reference Number: 2005-19**

The Fiscal Court Should Pay Invoices Within Thirty Days Of Receipt Of A Vendor's Invoice.

Per KRS 65.140, unless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty working days of receipt of a vendor's invoice except when payment is delayed because the purchaser had made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor. An interest penalty of one percent (1%) of any amount approved and unpaid shall be added to the amount approved for each month or fraction thereof after the thirty days which followed receipt of vendor's invoice by the purchaser. Of the twenty-nine disbursements tested, only thirteen invoices were provided to us. Of the thirteen provided, two invoices were paid later than the thirty-day requirement. We could not determine if sixteen of the twenty-nine disbursements tested were paid within thirty days because the invoices were not provided to us. We recommend the fiscal court pay invoices within thirty days as required by KRS 65.140.

*County Judge/Executive James D. Trimble's Response: Hopefully standing orders were used.*

**MENIFEE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2005**  
**(Continued)**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**Reference Number 2005-9**

*Condition:* The Fiscal Court Should Prepare A Schedule Of Expenditures Of Federal Awards

*Criteria:* OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations, section 310(B) requires the auditee to prepare a schedule of expenditures of federal awards covered by the auditee's financial statements. At a minimum, the schedule shall include:

- A list of individual Federal programs by Federal Agency. For Federal Programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- For Federal awards received as a sub recipient, provide the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- Include notes that describe the significant accounting policies used in preparing the schedule.
- To the extent practical, pass-through entities should identify in the schedule the total amount provided to sub recipients from each Federal Program.
- Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year-end. While not required, it is preferable to present this information in the schedule.

*Effect:* A single audit may not be performed as required because the auditor and auditee are not aware of the amount of federal funds expended during the fiscal year.

*Cause:* Disregard for the requirements of OMB Circular A-133.

*Auditors' Recommendation:* In the future, we recommend that this schedule be maintained throughout the fiscal year.

*County Judge/Executive James D. Trimble's Response:* FEMA agent, Gateway

**PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT - CORRECTED**

The following findings were included as Financial Statement Findings in the prior year audit:

- The Treasurer Should Acquire Employee Authorizations For All Withholdings
- The County Should Have A Written Agreement To Protect Deposits
- Only Authorized Signors Should Be Signing Checks
- The Menifee County Fiscal Court Should Advertise For Bids

Menifee County Fiscal Court  
PO Box 105  
12 Main Street  
Frenchburg, Kentucky 40322

**SCHEDULE OF CORRECTIVE ACTION PLAN  
MENIFEE COUNTY FISCAL COURT  
For The Year Ended June 30, 2005**

**Audit Firm - Morgan-Franklin, LLC**

Comments on Findings – Federal Award Program Audits

**2005-9. The Fiscal Court Should Prepare A Schedule Of Expenditures Of Federal Awards**

*Recommendation:* In the future, we recommend that this schedule be maintained throughout the fiscal year.

*Action Taken Or Planned:* FEMA agent, Gateway.

**MENIFEE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended June 30, 2005**

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
U.S. Department of Housing and <u>Urban Development</u>		
Passed-Through State Department for Local Government:		
Community Development Block Grant Cave Run Water Commission Water Treatment Plant (CFDA #14.228)	Unknown	\$ 818,170
 <u>U.S. Department of Homeland Security</u>		
Passed-Through State Department of Military Affairs:		
Domestic Preparedness Equipment (CFDA # 97.004)	Unknown	54,556
Disaster and Emergency Assistance Grants (CFDA # 97.036)	FEMA-1454-DR-KY FEMA-1523-DR-KY	25,682 <u>238,850</u>
Total Cash Expenditures of Federal Awards		<u><u>\$ 1,137,258</u></u>

The accompanying notes are an integral part of the financial statements.

**MENIFEE COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**OTHER SUPPLEMENTAL INFORMATION**

**For The Fiscal Year Ended June 30, 2005**

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Menifee County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, Menifee County Fiscal Court provided federal awards to the following subrecipient:

Program	CFDA Number	Subrecipient	Pass-Through Grant Amount
U.S. Department Of Housing And Urban Development			
Passed Through State Department For Local Government:			
Community Development Block Grant			
Cave Run Water Commission Water Treatment Plant	14.228	Cave Run Water Commission	<u>\$ 818,170</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



*Morgan-Franklin, LLC*

*Certified Public Accountants*

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Brenda K. Morgan, CPA

Jody B. Franklin, CPA

The Honorable J. D. Trimble, Former Menifee County Judge/Executive  
Honorable Hershall Sexton, Menifee County Judge/Executive  
Members of the Menifee County Fiscal Court

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Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based on An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We were engaged to audit the financial statements of Menifee County Fiscal Court, as of and for the year ended June 30, 2005, and have issued our report thereon dated February 21, 2007. We did not express an opinion of the basic financial statements because we were unable to obtain accurate and complete financial records and we were unable to apply other auditing procedures regarding the financial reporting system of accounts, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial activity. The significance of these issues, in the aggregate, prevents us from placing any reliance on the financial activities contained in the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining aggregate fund information of Menifee County Fiscal Court.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Menifee County Fiscal Court's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Menifee County Fiscal Court's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments and recommendations as:

2005-1: The Treasurer Should Record All Revenues And Expenditures

2005-2: The Treasurer Did Not Prepare An Accurate And Complete June 30, 2005 Financial Statement

2005-3: The Treasurer Should Maintain All Records Necessary For Audit

2005-4: Payroll Withholdings Should Be Computed Correctly

2005-5: Menifee County Fiscal Court Lacks Adequate Segregation Of Duties

2005-6: Adequate Property, Plant And Equipment Records Should Be Maintained

2005-7: Disbursements Should Be Adequately Documented

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based on An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Of the reportable conditions described above, we consider all of them to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Menifee County Fiscal Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as.

**2005-8:** All Employees Should Maintain Timesheets

**2005-9:** The Fiscal Court Should Prepare A Schedule Of Expenditures Of Federal Awards

**2005-10:** The Fiscal Court Should Deposit Funds Into Interest-Bearing Bank Accounts And Should Create An Investment Policy

**2005-11:** The Fiscal Court Should Approve All Transfers

**2005-12:** The Treasurer Should Prepare An Annual Financial Statement And Have It Published In Accordance With KRS 424.220

**2005-13:** The County Judge/Executive Appears To Have Been Overpaid

**2005-14:** The Menifee County Fiscal Court Should Fix Compensation Of County Employees

**2005-15:** The Menifee County Fiscal Court's Actual Expenditures Should Not Exceed Budgeted Expenditures

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based on An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

**2005-16:** The County Treasurer Should Not Disburse Any Money Without Fiscal Court Approval And Should Keep An Accurate Detailed Account Of All Money Received And Disbursed By Him For The County.

**2005-17:** The Judge/Executive Should Prepare A Proposed Budget For All County Funds

**2005-18:** The County Judge Should Present All Claims To The Fiscal Court Prior To Payment

**2005-19:** The Fiscal Court Should Pay Invoices Within Thirty Days Of Receipt Of A Vendors Invoice

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Morgan - Franklin, LLC*

Morgan-Franklin, LLC

February 21, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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The Honorable J. D. Trimble, Former Menifee County Judge/Executive  
Honorable Hershall Sexton, Menifee County Judge/Executive  
Members of the Menifee County Fiscal Court

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Menifee County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Menifee County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Menifee County's management. Our responsibility is to express an opinion on Menifee County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Menifee County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Menifee County's compliance with those requirements.

As described in item 2005-9 in the accompanying schedule of findings and questioned costs, Menifee County Fiscal Court did not comply with requirements regarding the preparation of the Schedule Of Federal Financial Assistance that are applicable to its United States Housing and Urban Development Program. Compliance with such requirements is necessary, in our opinion, for Menifee County Fiscal Court to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Menifee County Fiscal Court, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance

The management of Menifee County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Menifee County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

*Morgan - Franklin, LLC*

Morgan-Franklin, LLC

February 21, 2007

**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE**  
**AND DEVELOPMENT PROGRAM**

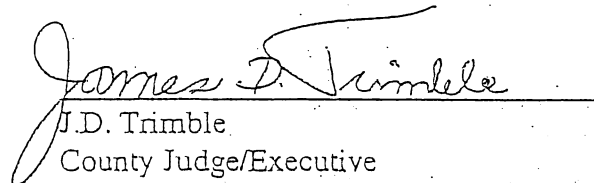
**For The Fiscal Year Ended June 30, 2005**

CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
AND DEVELOPMENT PROGRAM

MENIFEE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2005

The Meniffee County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance And Development Programs was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
J.D. Trimble  
County Judge/Executive

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Stuart Salyers  
County Treasurer